

## 0968 California Tax Credit Allocation Committee

The mission of the California Tax Credit Allocation Committee is to fairly allocate federal and state tax credits to create and maintain safe, quality affordable rental housing for low-income households in California. The Committee does this by forming partnerships with developers, investors and public entities.

The Committee assists development of rental housing projects for low-income families and monitors these projects for years after they are placed in service to ensure compliance with income and rent restrictions related to the tax credit programs of the Committee. Coordinating with state and local housing fund providers, and with private investors, the Committee helps to create and maintain a supply of quality, affordable housing.

The Committee consists of seven members, including three voting members and four advisors. The voting members are the Treasurer (Chairperson of the Committee), the Governor (who may choose the Director of Finance as his or her representative), and the State Controller. The non-voting (advisory) members are the Director of Housing and Community Development, the Executive Director of the California Housing Finance Agency, and two local government representatives. One local representative is associated with a city government and appointed by the Speaker of the Assembly. The other is a county government representative appointed by the Senate Rules Committee.

### 3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
0840 California Tax Credit Allocation Committee	45.0	43.1	50.1	\$7,375	\$8,718	\$9,556
<b>TOTALS, POSITIONS AND EXPENDITURES (All Programs)</b>	<b>45.0</b>	<b>43.1</b>	<b>50.1</b>	<b>\$7,375</b>	<b>\$8,718</b>	<b>\$9,556</b>
<b>FUNDING</b>				<b>2017-18*</b>	<b>2018-19*</b>	<b>2019-20*</b>
0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account				\$4,694	\$5,292	\$5,350
0457 Tax Credit Allocation Fee Account				2,528	3,271	4,051
0995 Reimbursements				153	155	155
<b>TOTALS, EXPENDITURES, ALL FUNDS</b>				<b>\$7,375</b>	<b>\$8,718</b>	<b>\$9,556</b>

### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

Internal Revenue Code Section 42; California Health and Safety Code Sections 50199.4 through 50199.22; and California Revenue and Taxation Code Sections 12205, 12206, 17057.5, 17058, 23610.4, and 23610.5; Federal Tax Reform Act of 1986, Section 252 of Public Law No. 99-514 (October 22, 1986); Chapter 658, California Statutes of 1987, as amended; Chapter 1138, California Statutes of 1987, as amended; Internal Revenue Code, Title 26, Subtitle A, Chapter 1, Subchapter X, Section 1400E et seq., as amended.

### MAJOR PROGRAM CHANGES

- The Budget includes a one-time increase of \$300 million in state tax credits for Low-Income Housing Tax Credit projects and an additional one-time increase of \$200 million in state tax credits to establish a new tax-credit program to target households with incomes between 30-120 percent of Area Median Income.

### DETAILED BUDGET ADJUSTMENTS

	2018-19*			2019-20*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Workload Budget Adjustments</b>						
<b>Workload Budget Change Proposals</b>						
• State Tax Credit Program Expansion	\$-	\$-	-	\$-	\$586	4.0
• Development and Compliance Monitoring Augmentation	-	-	-	-	458	3.0
<b>Totals, Workload Budget Change Proposals</b>	<b>\$-</b>	<b>\$-</b>	<b>-</b>	<b>\$-</b>	<b>\$1,044</b>	<b>7.0</b>

\* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

**0968 California Tax Credit Allocation Committee - Continued**

	2018-19*			2019-20*		
	General Fund	Other Funds	Positions	General Fund	Other Funds	Positions
<b>Other Workload Budget Adjustments</b>						
• Other Post-Employment Benefit Adjustments	-	38	-	-	38	-
• Salary Adjustments	-	128	-	-	128	-
• Benefit Adjustments	-	50	-	-	52	-
• Miscellaneous Baseline Adjustments	-	39	-	-	39	-
• Retirement Rate Adjustments	-	31	-	-	31	-
<b>Totals, Other Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$286</b>	<b>-</b>	<b>\$-</b>	<b>\$288</b>	<b>-</b>
<b>Totals, Workload Budget Adjustments</b>	<b>\$-</b>	<b>\$286</b>	<b>-</b>	<b>\$-</b>	<b>\$1,332</b>	<b>7.0</b>
<b>Totals, Budget Adjustments</b>	<b>\$-</b>	<b>\$286</b>	<b>-</b>	<b>\$-</b>	<b>\$1,332</b>	<b>7.0</b>

**PROGRAM DESCRIPTIONS****0840 - CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE****The Federal Program**

Congress authorized the federal Low-Income Housing Tax Credit (LIHTC) program in 1986. It replaced traditional housing tax incentives, such as accelerated depreciation, with a tax credit that enables developers of affordable rental housing to raise project equity through the "sale" of tax benefits to investors. The federal per-capita tax credit ceiling is calculated annually and indexed for inflation.

Two types of federal tax credits are available, generally referred to as 9-percent and 4-percent credits. These terms refer to the percentage of a project's "qualified basis" an investor in LIHTC projects may deduct from his or her federal income tax liability annually in each of ten years. A project's qualified basis is the portion of the total project cost used to calculate the amount of the tax credit and typically excludes non-depreciable costs such as the purchase of land. The affordable housing project sponsor uses or sells ten times the project's tax-credit allocation amount because investors can take the annual tax credit each year for a ten-year period.

The federal per-capita tax credit ceiling for 9-percent credits is calculated annually and indexed for inflation. For 2018, each state has an annual housing credit ceiling of \$2.40 per state resident. Additionally, each state may qualify annually for a share of unused credits in a national pool.

Developments financed with tax-exempt bond proceeds may receive the 4% federal tax credit. The sponsors of such projects must apply to the Committee and must conform to applicable federal and state statutory and regulatory requirements, but there is no annual cap on the amount of credit that may be awarded by the state to such developments.

Under federal law, credit projects must remain affordable for at least 30 years. However, California's program generally requires maintaining affordability for 55 years. Land use agreements are recorded against each credit project to ensure compliance.

**The State LIHTC Program**

In 1987, recognizing the high cost of housing in California, the Legislature authorized the state's program to augment the federal program. Housing projects receiving (or that have previously received) an allocation of federal tax credits may apply for an allocation of state tax credits. Projects serving farmworkers may apply for state tax credits regardless of their federal tax credit status.

The annual state credit ceiling is indexed for inflation, and for 2018, was \$98.6 million. Investors take the state tax credit annually over a four-year period in contrast to the ten-year federal period.

**Farmworker Housing Program**

Chapter 521, Statutes of 2008, folded the previous Farmworker Housing Assistance Tax Credit program into the general state LIHTC program as a \$500,000 annual set-aside in support of farmworker housing. Pursuant to Chapter 372, Statutes of 2017, these credits differ from other state credits in that the credit percentage for tax-exempt bond financed projects is higher and projects may receive state credits even if they receive an increase in their federal tax credit basis.

\* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

**0968 California Tax Credit Allocation Committee - Continued****DETAILED EXPENDITURES BY PROGRAM**

		<u>2017-18*</u>	<u>2018-19*</u>	<u>2019-20*</u>
<b>PROGRAM REQUIREMENTS</b>				
<b>0840 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE</b>				
<b>State Operations:</b>				
0448	Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account	\$4,694	\$5,292	\$5,350
0457	Tax Credit Allocation Fee Account	2,336	3,081	3,861
0995	Reimbursements	153	155	155
	<b>Totals, State Operations</b>	<b>\$7,183</b>	<b>\$8,528</b>	<b>\$9,366</b>
<b>Local Assistance:</b>				
0457	Tax Credit Allocation Fee Account	\$192	\$190	\$190
	<b>Totals, Local Assistance</b>	<b>\$192</b>	<b>\$190</b>	<b>\$190</b>
<b>TOTALS, EXPENDITURES</b>				
	State Operations	7,183	8,528	9,366
	Local Assistance	192	190	190
	<b>Totals, Expenditures</b>	<b>\$7,375</b>	<b>\$8,718</b>	<b>\$9,556</b>

**EXPENDITURES BY CATEGORY**

<b>1 State Operations</b>				<b>Expenditures</b>		
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2017-18*</u>	<u>2018-19*</u>	<u>2019-20*</u>
<b>PERSONAL SERVICES</b>						
Baseline Positions	43.1	43.1	43.1	\$2,952	\$3,078	\$3,078
Other Adjustments	1.9	-	7.0	78	87	556
<b>Net Totals, Salaries and Wages</b>	<b>45.0</b>	<b>43.1</b>	<b>50.1</b>	<b>\$3,030</b>	<b>\$3,165</b>	<b>\$3,634</b>
Staff Benefits	-	-	-	1,626	1,753	2,025
<b>Totals, Personal Services</b>	<b>45.0</b>	<b>43.1</b>	<b>50.1</b>	<b>\$4,656</b>	<b>\$4,918</b>	<b>\$5,659</b>
<b>OPERATING EXPENSES AND EQUIPMENT</b>				\$2,527	\$3,610	\$3,707
<b>TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)</b>				<b>\$7,183</b>	<b>\$8,528</b>	<b>\$9,366</b>

  

<b>2 Local Assistance</b>			<b>Expenditures</b>		
	<u>2017-18*</u>		<u>2018-19*</u>		<u>2019-20*</u>
Grants and Subventions - Governmental		\$192		\$190	\$190
<b>TOTALS, EXPENDITURES, ALL FUNDS (Local Assistance)</b>		<b>\$192</b>		<b>\$190</b>	<b>\$190</b>

**DETAIL OF APPROPRIATIONS AND ADJUSTMENTS**

<b>1 STATE OPERATIONS</b>	<u>2017-18*</u>	<u>2018-19*</u>	<u>2019-20*</u>
<b>0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account</b>			
<b>APPROPRIATIONS</b>			
001 Budget Act appropriation	\$4,694	\$5,142	\$5,350
Allocation for Employee Compensation	-	77	-
Allocation for Other Post-Employment Benefits	-	23	-
Allocation for Staff Benefits	-	30	-
Section 3.60 Pension Contribution Adjustment	-	20	-
<b>Totals Available</b>	<b>\$4,694</b>	<b>\$5,292</b>	<b>\$5,350</b>
<b>TOTALS, EXPENDITURES</b>	<b>\$4,694</b>	<b>\$5,292</b>	<b>\$5,350</b>

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**0968 California Tax Credit Allocation Committee - Continued**

<b>1 STATE OPERATIONS</b>	<b>2017-18*</b>	<b>2018-19*</b>	<b>2019-20*</b>
<b>0457 Tax Credit Allocation Fee Account</b>			
APPROPRIATIONS			
001 Budget Act appropriation	\$2,336	\$2,984	\$3,861
Allocation for Employee Compensation	-	51	-
Allocation for Other Post-Employment Benefits	-	15	-
Allocation for Staff Benefits	-	20	-
Section 3.60 Pension Contribution Adjustment	-	11	-
Health and Safety Code section 50199.9(b)	-	6	-
Miscellaneous Baseline Adjustments	-	-6	-
<b>Totals Available</b>	<b>\$2,336</b>	<b>\$3,081</b>	<b>\$3,861</b>
<b>TOTALS, EXPENDITURES</b>	<b>\$2,336</b>	<b>\$3,081</b>	<b>\$3,861</b>
<b>0995 Reimbursements</b>			
APPROPRIATIONS			
Reimbursements	\$153	\$155	\$155
<b>TOTALS, EXPENDITURES</b>	<b>\$153</b>	<b>\$155</b>	<b>\$155</b>
<b>Total Expenditures, All Funds, (State Operations)</b>	<b>\$7,183</b>	<b>\$8,528</b>	<b>\$9,366</b>
<b>2 LOCAL ASSISTANCE</b>	<b>2017-18*</b>	<b>2018-19*</b>	<b>2019-20*</b>
<b>0457 Tax Credit Allocation Fee Account</b>			
APPROPRIATIONS			
Health and Safety Code section 50199.9(b)	\$192	\$190	\$190
<b>Totals Available</b>	<b>\$192</b>	<b>\$190</b>	<b>\$190</b>
<b>TOTALS, EXPENDITURES</b>	<b>\$192</b>	<b>\$190</b>	<b>\$190</b>
<b>Total Expenditures, All Funds, (Local Assistance)</b>	<b>\$192</b>	<b>\$190</b>	<b>\$190</b>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations and Local Assistance)</b>	<b>\$7,375</b>	<b>\$8,718</b>	<b>\$9,556</b>

**FUND CONDITION STATEMENTS**

	<b>2017-18*</b>	<b>2018-19*</b>	<b>2019-20*</b>
<b>0448 Occupancy Compliance Monitoring Account, Tax Credit Allocation Fee Account<sup>s</sup></b>			
BEGINNING BALANCE	\$24,964	\$26,161	\$26,533
Prior Year Adjustments	-3	-	-
Adjusted Beginning Balance	\$24,961	\$26,161	\$26,533
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4129200 Other Regulatory Fees	5,759	5,920	6,086
4163000 Investment Income - Surplus Money Investments	346	350	354
Transfers and Other Adjustments			
Loan Repayment from the General Fund (0001) to the Occupancy Compliance Monitoring Account (0448), per Item 0968-001-0448 Budget Act of 2015.	-	-	57,000
Total Revenues, Transfers, and Other Adjustments	\$6,105	\$6,270	\$63,440
Total Resources	\$31,066	\$32,431	\$89,973
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0968 California Tax Credit Allocation Committee (State Operations)	4,694	5,292	5,350
8880 Financial Information System for California (State Operations)	6	1	-1
9892 Supplemental Pension Payments (State Operations)	-	44	97
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	205	561	382
Total Expenditures and Expenditure Adjustments	\$4,905	\$5,898	\$5,828
FUND BALANCE	\$26,161	\$26,533	\$84,145

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**0968 California Tax Credit Allocation Committee - Continued**

	2017-18*	2018-19*	2019-20*
Reserve for economic uncertainties	26,161	26,533	84,145
<b>0457 Tax Credit Allocation Fee Account<sup>s</sup></b>			
BEGINNING BALANCE	\$36,345	\$40,208	\$43,237
Prior Year Adjustments	-1	-	-
Adjusted Beginning Balance	\$36,344	\$40,208	\$43,237
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
4129200 Other Regulatory Fees	5,740	5,750	5,760
4163000 Investment Income - Surplus Money Investments	784	790	794
Transfers and Other Adjustments			
Loan Repayment from the General Fund (0001) to the Tax Credit Allocation Fee Account (0457), per Item 0968-001-0457 Budget Act of 2015.	-	-	35,000
Total Revenues, Transfers, and Other Adjustments	\$6,524	\$6,540	\$41,554
Total Resources	\$42,868	\$46,748	\$84,791
EXPENDITURE AND EXPENDITURE ADJUSTMENTS			
Expenditures:			
0968 California Tax Credit Allocation Committee (State Operations)	2,336	3,081	3,861
0968 California Tax Credit Allocation Committee (Local Assistance)	192	190	190
8880 Financial Information System for California (State Operations)	4	-	-
9892 Supplemental Pension Payments (State Operations)	-	27	58
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	128	213	222
Total Expenditures and Expenditure Adjustments	\$2,660	\$3,511	\$4,331
FUND BALANCE	\$40,208	\$43,237	\$80,460
Reserve for economic uncertainties	40,208	43,237	80,460

**CHANGES IN AUTHORIZED POSITIONS**

	Positions			Expenditures		
	2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
<b>Baseline Positions</b>	43.1	43.1	43.1	\$2,952	\$3,078	\$3,078
<b>Salary and Other Adjustments</b>	1.9	-	-	78	87	87
<b>Workload and Administrative Adjustments</b>						
<b>Development and Compliance Monitoring Augmentation</b>						
Assoc Govtl Program Analyst	-	-	3.0	-	-	201
<b>State Tax Credit Program Expansion</b>						
Assoc Govtl Program Analyst	-	-	4.0	-	-	268
<b>TOTALS, WORKLOAD AND ADMINISTRATIVE ADJUSTMENTS</b>	-	-	7.0	\$-	\$-	\$469
<b>Totals, Adjustments</b>	1.9	-	7.0	\$78	\$87	\$556
<b>TOTALS, SALARIES AND WAGES</b>	45.0	43.1	50.1	\$3,030	\$3,165	\$3,634

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